

4 May 2021

Total Brain

Signs Direct-to-Consumer licence with Hamptons Life

Total Brain (ASX:TTB) is the developer of a neuroscience-based mental health & fitness platform powered by the largest standardized neuroscientific database in the world formed over almost two decades and with \$50m of R&D funding. The company has announced it has entered into a non-binding Heads of Agreement with health and wellness group Hamptons Life to provide an exclusive, perpetual global licence for the development and commercialisation of a direct-to-consumer (D2C) version of the Total Brain platform. The deal will see a \$6m upfront fee paid to Total Brain, along with an annual maintenance fee of \$0.35m and an option for Total Brain to acquire 50% ownership in the D2C business within 5 years. The \$6m will be recognized as revenue over 3 years when integration and development services are delivered by TTB. For exclusivity to remain on foot, Hamptons Life will need to meet minimum annual commercial outcomes. The D2C business will stand alongside Total Brain's existing B2B, Affinity and Clinical platforms.

Business model

Total Brain operates a subscription as a service (SaaS) model for its mental health and fitness platform. The science behind the platform has been developed over almost two decades with input from the leading academic institutions in the field. This has generated a proprietary neuroscientific database of scale which underpins the scientific validation that differentiates Total Brain from other brain training and wellness applications. The app, promoted by affinity partners, assesses the four core brain capacities (emotion, feeling, cognition, self-control), pre-screens seven common mental health conditions and delivers personalised brain and mind/body training.

Opportunity to scale TTB's mental health platform with consumers

The agreement with Hamptons Life delivers Total Brain an opportunity to accelerate its D2C strategy at low-risk with an aligned partner with deep roots in the health and wellness category. Sydney-headquartered, and with an expanding US presence, Hamptons Life is a fast-growing health and wellness organisation focused on disease prevention through lifestyle changes, with an emphasis on nutrition, physical fitness and mental health. The partnership delivers Total Brain an opportunity to extend its platform to consumers without taxing its focus on its B2B, Affinity or Clinical opportunities. We view this as a smart strategy for the company, enabling it to focus on the sales pipeline it has outlined to the market, which includes its partnership with IBM, while still participating in the creation of a consumer led business. The company will conduct a **conference call on 4 May at 10am AEDT (Australia 1800 896 323/USA 1 855 731 0983 – passcode: 12352182)**.

Valuation of A\$138m or \$1.27/share

We use the discounted cashflow methodology to value Total Brain, arriving at a base case valuation of \$138m or \$1.27/share and generated from a WACC of 14.7%, terminal value 2.2% and a CAGR of free positive cashflows from 2023 of 35.0%. In our view, continued validation of the company's technology should underpin Total Brain's share price performance in the near term. Based on the current share price, TTB is trading at a significant discount to Australian and global SaaS peers.

Historical earnings and RaaS Advisory estimates (in A\$m)

Year end	Revenue	Gross Profit	EBITDA reported	NPAT reported	EPS* (c)	EV/Sales (x)
06/19a	2.6	2.3	(6.7)	(8.6)	(12.2)	4.1
06/20e	3.9	3.2	(7.4)	(7.6)	(8.07)	4.0
06/21e	5.9	5.1	(6.9)	(7.3)	(6.73)	4.6
06/22e	14.1	12.0	(1.8)	(2.3)	(2.09)	2.1

Source: Company data, RaaS Advisory Estimates for FY21e, and FY22e * EPS normalised for one-time items

Share details

ASX Code	TTB
Share Price (3 May)	\$0.27
Market Capitalisation	\$29.2M
Number of shares	108.3M
Enterprise Value	~\$27.9M
Sector	Healthcare Services
Free Float	~57%

Share price performance (12-months)



Upside Case

- Highly scalable SaaS model
- Significant validation achieved over the past six months with major US organisations and companies adopting Total Brain's technology
- Targeting predominantly US corporates and consumers

Downside Case

- Need to sell at the Enterprise level which means a sales cycle of 9-12 months for the B2B product
- New consumer product still being fully trialled in market
- Commercial success to date has been elusive

Catalysts

- Further evidence of conversion of leads to B2C subscriptions and leads revenues
- Confirmation of more lead conversions with US corporates

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FINANCIAL SERVICES GUIDE

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of

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- how we are paid, and
- complaint processes

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